

Message Text

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ORIGIN COME-00

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 EB-08
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FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
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DRAFTED BY COMM/BEWT/OEWCA/EEAD/JABURGESS/RSHEPHERD/PAM
APPROVED BY EUR/EE:NGANDREWS
COMM/BEWT/OEWCA/EEAD/AJENKENS (DR
T) COMM/BEWT/OEWCA/JMGEORGE
COMM/BEWT/OD/ATDOWNEY (DRAFT)
STATE/EUR/EE/SFROMOWITZ
STR/MSMITH (INFO)
STATE/EB/ICD/FTO/CA;CANGVINE(INFO)
LABOR/IKRAMER (INFO)
TREASURY/WBARREDA (INFO)
-----300712Z 077077 /21
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FM SECSTATE WASHDC
TO AMEMBASSY BUCHAREST PRIORITY

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E.O. 11652:

TAGS: OCON, EEWT, RO

SUBJECT:KREPS - NICOLAE MEETING REGARDING TEXTILES

REFS: (A) BUCH 2986 (B) BUCH 2867 (C) STATE 090430

1. ON FRIDAY, APRIL 22, SECRETARY KREPS AND OTHER
COMMERCE OFFICIALS INCLUDING DAS DOWNEY AND DAS SHEPHERD
MET FOR 20 MINUTES WITH AMB. NICOLAE TO DISCUSS TEXTILE
ISSUES AND PARTICULARLY THE PROBLEM OVER SOME 18,000
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EMBARGOED SUITS. MEETING WITH SECRETARY KREPS WAS FOLLOWED
IMMEDIATELY BY 1 HOUR 45 MINUTE WORKING SESSION WITH
AMB. NICOLAE AND COMMERCE OFFICIALS HEADED BY DAS
SHEPHERD DURING WHICH HISTORY OF INTERIM AGREEMENT AND
REASONS FOR IMPOSITION OF EMBARGO WERE REVIEWED IN
DETAIL.

2. IN BRIEF MEETING WITH SECRETARY KREPS, NICOLAE EMPHASIZED THAT HE WAS AT A LOSS TO EXPLAIN TO HIS GOVERNMENT WHY OVER 18,000 SUITS HAD BEEN IMPOUNDED. WHILE ROMANIAN SIDE ADMITTED TO OVERSHIPPING SOME 6,000 SUITS THIS DID NOT EXPLAIN THE REMAINING 12,000 PLUS SUITS AND FORCED NICOLAE TO THE CONCLUSION THAT WE WERE VIOLATING

THE INTERIM AGREEMENT. WHILE HE FELT SURE THAT NEGOTIATIONS IN GENEVA WOULD SOLVE THE OVERALL TEXTILE PROBLEM AND REACH A LONG TERM SOLUTION, NICOLAE STRESSED THAT POSSIBLE VIOLATION OF INTERIM AGREEMENT WAS A MATTER OF PRINCIPLE FOR HIM AS AMBASSADOR, I.E. THAT BOTH SIDES MUST RESPECT AND ADHERE TO THEIR BILATERAL AGREEMENTS.

3. SECRETARY KREPS RESPONDED THAT WE DID NOT AGREE WITH THE AMBASSADOR'S CONTENTION THAT THE U.S. HAD VIOLATED THE AGREEMENT AND THAT OUR STATISTICS INDICATED THE ROMANIANS HAD EXCEEDED THE LEVELS PERMITTED UNDER THE INTERIM AGREEMENT BY MORE THAN 18,000 UNITS. SECRETARY KREPS OFFERED TO HAVE DAS SHEPHERD AND BEWT OFFICERS GO OVER THE FIGURES AND CAREFULLY EXPLAIN THE USG POSITION TO NICOLAE. IN A LARGER CONTEXT, SECRETARY KREPS STRESSED TO THE AMBASSADOR THAT THE TWO OF THEM SHOULD NOT HINDER THE VERY POSITIVE DIRECTION OF OUR COMMERCIAL AND ECONOMIC RELATIONS OVER A TECHNICAL ISSUE SUCH AS THIS. AFTER LEAVING SECRETARY KREPS OFFICE DAS DOWNEY CHIDED THE AMBASSADOR FOR INSISTING ON A MEETING WITH THE SECRETARY IN HER CAPACITY AS ECONOMIC COMMISSION LIMITED OFFICIAL USE

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COCHAIRPERSON OVER TECHNICAL ISSUE.

4. IN ADDITION TO TEXTILES, NICOLAE TOUCHED VERY BRIEFLY ON AFTERMATH OF EARTHQUAKE. FOLLOWING UP ON HIS RECENT TRIP TO BUCHAREST NICOLAE NOTED BOTH BAD AND GOOD SIDES TO POST-EARTHQUAKE ROMANIAN SITUATION. ON BAD SIDE HE NOTED EXTENSIVE DAMAGE TO BUILDINGS AND FACTORIES INCLUDING NEED TO TEAR DOWN MANY STANDING BUT DAMAGED BUILDINGS, A BAD HOUSING SITUATION (THAT THE GOR HOPED WOULD BE SOLVED WITHIN SIX MONTHS), AND THE NEED FOR ADMINISTRATIVE RE-ARRANGEMENTS RESULTING IN THE MOVEMENT OF SOME GOVERNMENT ACTIVITIES FROM DOWNTOWN TO THE WEST SIDE OF BUCHAREST. ON THE GOOD SIDE NICOLAE NOTED THE DEDICATION AND SOLIDARITY OF THE ROMANIAN PEOPLE IN THEIR RECOVERY EFFORTS AND IN GOVERNMENTAL PLANS TO ADHERE TO PRE-EARTHQUAKE PROJECTED DEVELOPMENT TARGETS FOR 1976-1980, AND THE GENEROUS ECONOMIC ASSISTANCE WHICH THE GOR HAD RECEIVED FROM A NUMBER OF COUNTRIES, INCLUDING THE 20 MILLION DOLLARS FROM THE U.S.

5. LENGTHY MEETING WITH DAS SHEPERD WAS DEVOTED TO AMBASSADOR EXPLAINING WHAT HE FELT WAS MEANING OF INTERIM AGREEMENT AND DAS SHEPHERD CAREFULLY REVIEWING HISTORY OF

NEGOTIATIONS AND STATISTICS BEING USED BY BOTH SIDES TO DETERMINE NUMBER OF SUITS INVOLVED. NICOLAE TOOK SENTENCE FROM INTERIM AGREEMENT STATING THAT GOR COULD SHIP 85,000 UNITS OF MAN-MADE FIBER SUITS AFTER JAN 1 ON ITS FACE AND DID NOT PLACE ANY VALUE WE COULD AS- CERTAIN ON SENTENCE FOLLOWING WHICH IMPLIED THAT U.S. WOULD ASSIST BY CONTROLLING AND THEREBY HOLDING TOTAL IMPORTS RECEIVED AFTER JAN. 1 (REGARDLESS OF DATE OF SHIPMENT FROM ROMANIA) TO AGREED 85,000 LEVEL. AMBASSADOR SAID ONLY CONCLUSION HE COULD DRAW WAS THAT WE HAD ABANDONED INTERIM AGREEMENT IN FAVOR OF RETURN TO MFA ARTICLE III RESTRAINTS. AT ONE POINT NICOLAE LIMITED OFFICIAL USE

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REPEATED CHARGE THAT USG HAD "VIOLATED" INTERIM AGREEMENT BUT LATER SOFTENED THIS TO CHARGE THAT WE HAD "FAILED TO OBSERVE" THE AGREEMENT.

SHEPHERD AND BEWT OFFICERS VERY FIRM IN REFUSAL TO ACCEPT THESE CHARGES NO MATTER HOW WORDED. SHEPHERD STRESSED SEVERAL TIMES THAT CRUX OF THE NUMBERS PROBLEMS, AND HENCE THE WHOLE ISSUE OF EMBARGOED SUITS, WAS DIFFERING INTERPRETATIONS OF INTERIM AGREEMENT PROVISIONS REGARDING CONTROL OF FLOW OF ROMANIAN MAN MADE FIBER SUITS TO 85,000 UNITS FOR PERIOD OF INTERIM AGREEMENT LEVEL AS INTERPRETED BY U.S. BUT ALSO ARTICLE 3 LEVEL OF 101,000. SHEPHERD EXPLAINED STEP-BY-STEP EFFORTS MADE BY U.S. TO SOLVE PROBLEM OF EMBARGOED SUITS IN CONTEXT OF U.S. INTERPRETATION OF INTERIM AGREEMENT AND ARTICLE III ACTION. THIS RESULTED IN FIRM OFFER BY CHIEF TEXTILE NEGOTIATOR SMITH TO PERMIT ENTRY OF 15,800 MAN-MADE-FIBER SUITS (AMOUNT ROMANIANS HAD STATED WAS IN EMBARGO 4 DAYS EARLIER) PROVIDED GOR AGREED TO MAKE NO MORE REQUESTS PRIOR TO CONCLUSION OF LONGER TERM AGREEMENT. ROMANIANS DID NOT ACCEPT SMITH OFFER. WHILE NICOLAE MADE CLEAR HE STILL DID NOT AGREE WITH U.S. INTERPRETATION OF INTERIM AGREEMENT HE LEFT THIS MEETING EXPRESSING APPRECIATION THAT WE HAD TAKEN TIME TO CAREFULLY REVIEW AGREEMENT AND EXPLAIN CLEARLY U.S. POSITION TO HIM.

6. COMMENT: CONFIRMING VIEWS EXPRESSED IN REF (A) NICOLAE SEEMED CLEARLY ON HIS OWN IN PUSHING THIS ISSUE TO SECRETARY'S LEVEL. IN VIEW OF HIS REMARKS AND PARTICULARLY HIS EFFORTS TO GET AN ADMISSION FROM US

THAT USG HAD VIOLATED OR FAILED TO OBSERVE AGREEMENT, OUR GUESS IS THAT THE AMBASSADOR IS TRYING TO COVER HIMSELF FOR OBVIOUS SLIP-UP WITH FTO CONFEX ON HOW MANY SUITS TO SHIP. IT APPEARS THAT BY SIGNING THE AGREEMENT NICOLAE LIMITED OFFICIAL USE

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ALSO ASSUMED RESPONSIBILITY FOR INTERPRETING INTERIM AGREEMENT AND ADVISING CONFEX. THUS, THE SUITS IN EMBARGO AND THE ATTACHED COSTS AND LIABILITIES THAT WILL FOLLOW FROM THIS, EVEN IF AGREEMENT IS REACHED LATER AND THE SUITS ARE RELEASED, APPEAR TO BE THE AMBASSADOR'S RESPONSIBILITY -- OR AT LEAST HE APPEARS TO PERCEIVE IT THIS WAY. WE WERE PARTICULARLY STRUCK BY NICOLAE'S LACK OF UNDERSTANDING OF HOW THE TWO SIDES WOULD DETERMINE THE NUMBER OF SUITS THAT COULD ENTER IN THE U.S. DURING THE INTERIM AGREEMENT PERIOD. THIS SUGGESTS FAILURE OF COMMUNICATIONS WITHIN ROMANIAN EMBASSY AND BETWEEN ITS STAFF AND NEGOTIATING TEAM LED BY CHIOVEANU LAST DECEMBER.

APPARENTLY DETERMINED TO HAVE LAST WORD, NICOLAE SUBSEQUENTLY REQUESTED TO MEET WITH DAS DOWNEY TO BRIEFLY DISCUSS MATTER FURTHER. THAT MEETING TENTATIVELY SCHEDULED FOR MAY 2. CHRISTOPHER

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